

WEST WHITLAWBURN HOUSING CO-OPERATIVE LIMITED

FINANCIAL STATEMENTS

For the year ended 31 March 2010

Registered Housing Association No. C3841

Financial Services Authority No. 2308 R S

Charity No SC038737

BAKER TILLY UK AUDIT LLP
Chartered Accountants

Glasgow

WEST WHITLAWBURN HOUSING CO-OPERATIVE LIMITED

FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2010

CONTENTS

	Page
Report of the Management Committee	1 - 7
Statement of the Management Committee's Responsibilities	8
Statement of the Management Committee on Internal Financial Controls	9 - 10
Report of the Auditors	11 - 12
Income and expenditure account	13
Balance sheet	14
Cash flow statement	15
Notes to the financial statements	16 - 29

Registration particulars:

Financial Services Authority

Industrial & Provident Societies Act 1965
Registered Number: 2308 R S

Scottish Housing Regulator

Housing (Scotland) Act 2001
Registered Number: C3841

Scottish Charities

Charity and Trustee Investment (Scotland) Act 2005
Recognised Scottish Charity Number SC038737

WEST WHITLAWBURN HOUSING CO-OPERATIVE LIMITED

REPORT OF THE MANAGEMENT COMMITTEE

YEAR ENDED 31 MARCH 2010

The Management Committee present their report and audited financial statements for the year ended 31 March 2010.

Principal activity

The principal activity of the Co-operative is the provision of housing accommodation for rent. This is achieved by acquiring properties in order that they can be refurbished and re-let as rented accommodation, funded by Social Housing Grant (SHG) provided for this purpose. The cost of developments not met by SHG is met by a mortgage secured on the properties, which is repaid by the net rental income receivable, derived from those properties.

Business review

The Co-operative made a deficit of £213,681 during the year (2009 – surplus £9,798). The deficit was made by the Co-operative after investment in major repairs in the year amounting to £297,739 (2009 - £nil). Major repairs expenditure is written off in the year it is incurred and not capitalised.

The Co-operative is in a strong financial position with over £1.3m deposited as cash funds, and could access loan facilities if required. The Co-operative continues to have a substantial major repair investment programme due in a substantial proportion of properties over the next few years. We have also provided substantial funds over the next five years to meet our commitments under the Scottish Housing Quality Standards. Cash surpluses will continue to be made, subject to our planned major repair programme over the next few years.

The Co-operative obtained charitable status during the year 2007/08, to ensure the best use of funds through rental income being used for housing purposes rather than paying Corporation Tax back to the government.

Surplus for the year and transfers

The deficit for the year of £213,681 (2009: surplus £9,798) has been dealt with as follows:

	£
Deficit for year	(213,681)
Transfers from designated reserves	-
Major repairs reserve	-
Transferred to revenue reserve	<u>(213,681)</u>

WEST WHITLAWBURN HOUSING CO-OPERATIVE LIMITED

REPORT OF THE MANAGEMENT COMMITTEE

YEAR ENDED 31 MARCH 2010

Members of Management Committee

The members of the Management Committee of the Co-operative during the year to 31 March 2010 were as follows:

Anne Anderson	Chairperson
Philip Welsh	Vice Chairperson
Muriel Alcorn	Treasurer
Margaret Sweeney	Secretary
Susan Stevely	
Helen Anderson	
Sheila Jamieson	
Cheryl Burnett	(Appointed September 2009)
Liz Jamieson	(Appointed September 2009)
Elizabeth Kerr	(Appointed September 2009)
Helen Gilmour	(Appointed September 2009)
Hazel Anderson	(Appointed September 2009)
Wilma Adair	(Appointed September 2009, Resigned March 2010)
Vicki McKenna	(Appointed September 2009, Resigned March 2010)
Donna Henderson	(Appointed September 2009, Resigned March 2010)

Each member of the Committee of Management holds one fully paid share of £1 in the Co-operative. The Executive Officers of the Co-operative hold no interest in the Co-operatives share capital and although not having the legal status of "director" they act as Executives within the authority delegated by the Committee

Executive officers

The Executive Officers of the Co-operative during the year to 31 March 2010 was as follows:

P Farrell	Director
S Marshall	Depute Director
L McVie	Senior Admin & Finance Officer
R Haughey	Senior Housing Officer
M Brownlie	Senior Property Officer
S McPeake	Community Development Co-ordinator
R Smith	Concierge Manager

Operational Review

1 Corporate Governance

West Whitlawburn has a Committee of Management who are elected by the members of the Co-operative. It is the responsibility of the Committee to undertake the strategy, setting of policy and overall direction for the Co-operative. They also monitor the operational activities of the Co-operative. The members of the Committee of Management are unpaid.

The Executive Team of West Whitlawburn (as listed above) are responsible for achieving the strategy set, undertaking the operational activities in line with the policies set.

WEST WHITLAWBURN HOUSING CO-OPERATIVE LIMITED

REPORT OF THE MANAGEMENT COMMITTEE

YEAR ENDED 31 MARCH 2010

Our governing body is our Committee of Management, which is responsible to the wider membership. Committee of Management members serve in a voluntary capacity, and we recognise that this puts even more onus on us to ensure that we set and achieve high standards of professionalism in our work. We take governance very seriously, and in the last year we continued to build on work from previous years which strengthened our governance arrangements.

This report details issues that have arisen during the year relating to the main activities undertaken by the Co-operative.

2 Corporate Issues

Tenant involvement and participation is a major part of the Co-operative's Aims and Objectives, and we continue to review how the Co-operative involves tenants in its activities.

The Co-operative is committed to involving staff in decision making and policy making. In the year just ended we have continued to improve the staff development system and internal management plan process.

Best use of resources

We regularly conduct risk assessments, and take any action necessary to reduce or limit risk. We have continued with a programme of major investment in our housing stock, which is by far our most costly asset. This includes both carrying out major repairs, and also considering whether any of our older schemes should be remodelled to meet the changing requirements of tenants in the future. We are updating our stock condition information, to ensure that our long-term financial planning reflects our future investment requirements. We have a programme of best value reviews, to look for efficiencies and economies in the way that we carry out business processes.

Services

We aim to deliver high quality services, and we set ourselves the goal of achieving continuous improvement in what we do. In our housing stock, we are planning to move ahead with some major repairs that had become necessary.

Our rent arrears management was reviewed during the year, and we will continue to seek improvements in our rent collection methods. We continued to deliver many completed adaptations to existing properties, to meet the specific needs of our tenants.

3 Development Issues

The year just completed has been steady. We have spent £8,188k (2009 - £10,671k) during the year, of which £8,032k (2009 - £7,623k) of Housing Association Grants were received in funding.

WEST WHITLAWBURN HOUSING CO-OPERATIVE LIMITED

REPORT OF THE MANAGEMENT COMMITTEE

YEAR ENDED 31 MARCH 2010

4 Housing Issues

The Co-operative continues to work on reducing the period of time taken to re-let or let new properties. This is to ensure that we maximize our effectiveness in housing people in need and reduce our costs. The rent loss due to empty properties was £85,517 (2009 - £55,743). Housing held for decant due to multi storey refurbishment had a major impact on rent loss during the year. Work is continuing to reduce this level of voids in future years.

5. Other Areas

Risk Management Policy

The Committee have a formal risk management process in place to assess business risks and implement risk management strategies. This involved identifying the types of risks the Co-operative faces, prioritising them in terms of potential impact and likelihood of occurrence, and identifying means of mitigating the risks. As part of this process the Committee have reviewed the adequacy of the Co-operative's current internal controls.

Accordingly they have set policies on internal controls which cover the following:

- consideration of the type of risks the Co-operative faces;
- the level of risks which they regard as acceptable;
- the likelihood of the risks concerned materialising;
- the Co-operative's ability to reduce the incidence and impact on the business of risks that do materialise; and the costs of operating particular controls relative to the benefit obtained.
- clarified the responsibility of management to implement the Committee's policies and to identify and evaluate risks for their consideration.
- communicated that employees have responsibility for internal control as part of their accountability for achieving objectives.
- embedded the control system in the Co-operative's operations so that it becomes part of the culture of the Co-operative.
- developed systems to respond quickly to evolving risks arising from factors within the Co-operative to changes in the external environment.
- included procedures for reporting failings immediately to appropriate levels of management and the Committee together with details of corrective action being undertaken.

Maintenance policies

The Co-operative seeks to maintain its properties to the highest standard. To this end programmes of cyclical repairs are carried out in the medium term to deal with the gradual and predictable deterioration of building components. It is expected that the cost of all these repairs would be charged to the Income and Expenditure account.

In addition, the Co-operative has a long-term programme of major repairs to cover for works which have become necessary since the original development was completed, included works required by subsequent legislative changes. This included replacement or repairs to features of the properties, which have come to the end of their economic lives. The cost of these repairs would be charged to the Income and Expenditure account, unless it was agreed they could be capitalised within the terms outlined in the SORP.

WEST WHITLAWBURN HOUSING CO-OPERATIVE LIMITED

REPORT OF THE MANAGEMENT COMMITTEE

YEAR ENDED 31 MARCH 2010

Treasury Management

The Co-operative has an active treasury management function, which operates in accordance with the Treasury Policy approved by the Committee of Management. In this way the Co-operative manages its borrowing arrangements to ensure that it is always in a position to meet its financial obligations as they fall due, whilst maximising the return on excess cash and liquid resources held.

Internal Financial Control

The Committee of Management is responsible for establishing and maintaining the Co-operative's system of internal control. Internal control systems are designed to meet the particular needs of the Co-operative and the risks to which it is exposed, and by their nature can provide reasonable but not absolute assurance against material misstatement or loss. The key procedures which the Committee of Management has established with a view to providing effective internal financial control are detailed on pages 8 and 9.

Quality and Integrity of Personnel

The integrity and competence of personnel are ensured through high recruitment standards and subsequent training courses. High quality personnel are seen as an essential part of the control environment and the ethical standards expected are communicated through the Director.

Management Structure

The Committee of Management has overall responsibility for the Co-operative and there is a formal schedule of matters specifically reserved for decision by the Committee.

Budgetary Process

Each year the Committee of Management approves the annual budget and rolling strategic plan. Key risk areas are identified. Performance is monitored and relevant action taken throughout the year through quarterly reporting to the Committee of variances from the budget, updated forecasts for the year together with information on the key risk areas. Approval procedures are in place in respect of major areas of risk such as major contract tenders, expenditure and treasury management.

Rental Income

The Co-operative's Rent Policy is a points system based on the size, type and facilities of the accommodation. The policy ensures that the rent structure is easy to administer and covers the wide variations within the Co-operative's properties. This policy follows the generally accepted practice/principles of the Housing Movement.

Employee Involvement and Health & Safety

The Co-operative encourages employee involvement in all major initiatives.

WEST WHITLAWBURN HOUSING CO-OPERATIVE LIMITED

REPORT OF THE MANAGEMENT COMMITTEE

YEAR ENDED 31 MARCH 2010

Disabled Employees

Applications for employment by disabled persons are given full and fair consideration for all vacancies in accordance with their particular aptitudes and abilities. In the event of employees becoming disabled, every effort is made to retrain them in order that their employment with the Co-operative may continue. It is the policy of the Co-operative that training, career development and promotion opportunities should be available to all employees.

Credit Payment Policy

The Co-operative's policy concerning the payment of its trade creditors complies with the Confederation of British Industry guidelines. The average payment period is thirty days.

Whitcomm Co-operative Ltd

West Whitlawburn Housing Co-operative is working with the local community to develop Whitcomm Co-operative Ltd. WWHC is installing a fibre optic infrastructure as part of the 100 home New Build development. The Fibre Optic Infrastructure makes the neighbourhood the first Fibre to the Home project in Scotland and the largest in Britain.

Over the infrastructure Whitcomm Co-operative Ltd is providing television, phone and broadband services to New Build tenants. Whitcomm Co-operative is also working to develop a community portal that will meet the following objectives:

- **Reduce digital exclusion in West Whitlawburn**
 - By providing low cost access to the internet over the television, affordable access to high speed next generation broadband, working with community partners to provide ICT training
- **Reduce financial exclusion in West Whitlawburn**
 - By increasing access to financial advice and advocacy, financial services and choice of commodities over the internet
- **Increase social inclusion in West Whitlawburn**
 - By working with community partners to provide accessible information and services over the community portal, creating volunteering opportunities within the community, creating the opportunity to make and maintain social networks within West Whitlawburn over the community portal
- **Increase enterprise & self reliance within West Whitlawburn**
 - By keeping the technological infrastructure in the ownership of the community. By creating voluntary opportunities and training for members, creating an attractive infrastructure for business. By encouraging the development of a skilled community.

WEST WHITLAWBURN HOUSING CO-OPERATIVE LIMITED
REPORT OF THE MANAGEMENT COMMITTEE
YEAR ENDED 31 MARCH 2010

Social Accounts

West Whitlawburn Housing Co-operative completed its first set of social accounts covering the 2007-2008 periods and is now planning for the 2009-2010 accounts.

Social accounting has provided West Whitlawburn Housing Co-operative with an opportunity to counter a central and significant problem; that much of the Co-operative's work is undervalued and goes largely unrecognised externally as conventional reporting frameworks almost exclusively rely on conventional currency measures. Social Accounts measure the Social, Economic and Environmental impact that the co-operative has on the local community and insure that the co-operative is accountable to its stakeholders. The Social Accounts process has also proven to be an invaluable planning and internal management tool.

Future developments

The Co-operative's current development programme is now drawing to an end, however the Co-operative will continue with its policy of improving the quality of the housing within its area of operation and continue to examine any opportunities which may arise for future development.


Information for Auditors

As far as the Committee members are aware there is no relevant audit information of which the auditors are unaware and the Committee members have taken all the steps they ought to have taken to make themselves aware of any relevant audit information and to ensure that the auditors are aware of any such information.

Auditors

Baker Tilly UK Audit LLP has indicated its willingness to continue in office.

On behalf of the Committee of Management


Secretary

57 Belmont Road
Whitlawburn
Cambuslang
G72 8PG

Date: 24th August 2010

WEST WHITLAWBURN HOUSING CO-OPERATIVE LIMITED
STATEMENT OF THE MANAGEMENT COMMITTEE'S RESPONSIBILITIES
YEAR ENDED 31 MARCH 2010

Under the legislation relating to Industrial and Provident Societies we are required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Co-operative and of the surplus or deficit of the Co-operative for that year. In preparing those financial statements we are required to:

- select suitable accounting policies and apply them consistently;
- make reasonable and prudent judgements and estimates;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Co-operative will continue in business.

We are also responsible for:

- keeping proper accounting records;
- safeguarding the Co-operative's assets;
- taking reasonable steps for the prevention and detection of fraud.

WEST WHITLAWBURN HOUSING CO-OPERATIVE LIMITED
MANAGEMENT COMMITTEE'S STATEMENT ON INTERNAL FINANCIAL CONTROL
YEAR ENDED 31 MARCH 2010

The Management Committee acknowledge their ultimate responsibility for ensuring that the Co-operative has in place a system of controls that is appropriate to the various business environments in which it operates. These controls are designed to give reasonable assurance with respect to:

- the reliability of financial information used within the Co-operative or for publication
- the maintenance of proper accounting records; and
- the safeguarding of assets (against unauthorised use or disposition).

It is the Management Committee's responsibility to establish and maintain systems of internal financial control. Such systems can only provide reasonable and not absolute assurance against material financial mis-statement or loss. Key elements include ensuring that;

- formal policies and procedures are in place, including the documentation of key systems and rules relating to the delegation of authority, which allows the monitoring of controls and restricts the unauthorised use of the Co-operative's assets.
- experienced and suitably qualified staff take responsibility for important business functions and that annual appraisal procedures have been established to maintain standards of performance.
- forecasts and budgets are prepared regularly which allow the Management Committee and staff to monitor the key business risks and financial objectives, and progress towards financial plans set for the year and the medium term; regular management accounts are prepared promptly, providing relevant, reliable and up-to-date financial and other information and significant variances from budgets are investigated as appropriate.
- all significant new initiatives, major commitments and investment projects are subject to formal authorisation procedures, through relevant sub-committees comprising Management Committee members and others.
- the Management Committee review reports from management, from directors, staff and from the internal and external auditors to provide reasonable assurance that control procedures are in place and are being followed. This includes a general review of the major risks facing the Co-operative.
- formal procedures have been established for instituting appropriate action to correct weaknesses identified from the above reports.

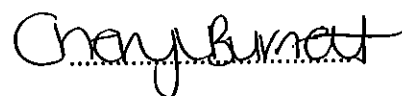
WEST WHITLAWBURN HOUSING CO-OPERATIVE LIMITED

MANAGEMENT COMMITTEE'S STATEMENT ON INTERNAL FINANCIAL CONTROL

**YEAR ENDED 31 MARCH 2010
(CONTINUED)**

The Management Committee have reviewed the system of internal financial control in existence in the Co-operative for the year ended 31 March 2010 and until the below date. No weaknesses were found in internal financial controls which could result in material losses, contingencies, or uncertainties which require disclosure in the financial statements or in the auditors' report on the financial statements.

By order of the Management Committee



Date : 24th August 2010

WEST WHITLAWBURN HOUSING CO-OPERATIVE LIMITED
AUDITORS' REPORT ON CORPORATE GOVERNANCE MATTERS

Corporate Governance

In addition to our audit of the financial statements, we have reviewed the Committee of Management's statement on pages 9 and 10 concerning the Co-operative's compliance with the information required by the section on Internal Financial Control within SFHA's publication "Raising Standards in Housing".

Basis of Opinion

We carried out our review having regard to Bulletin 2006/5 that was issued by the Auditing Practices Board. The Bulletin does not require us to review the effectiveness of the Co-operative's procedures for ensuring compliance with the guidance notes, nor to investigate the appropriateness of the reasons given for non-compliance.

Opinion

In our opinion the Statement on Internal Financial Control on pages 9 and 10 has provided the disclosures required by the section on Internal Financial Control within SFHA's publication "Raising Standards in Housing" and is consistent with the information which came to our attention as a result of our audit work on the financial statements.



Baker Tilly UK Audit LLP
Registered Auditors
Chartered Accountants
Breckenridge House
274 Sauchiehall Street
Glasgow
G2 3EH

Date: 26/2/10.....

WEST WHITLAWBURN HOUSING CO-OPERATIVE LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF WEST WHITLAWBURN HOUSING CO-OPERATIVE LIMITED

We have audited the financial statements on pages 13 to 29, which have been prepared under the historical cost convention and the accounting policies set out on pages 16 to 17.

This report is made solely to the Co-operative's members, as a body, in accordance with section 9 of the Friendly and Industrial and Provident Societies Act 1968. Our audit work has been undertaken so that we might state to the Co-operative's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept responsibility to anyone other than the Co-operative and the Co-operative's members as a body, for our audit work, for this report or for the opinion we have formed.

Respective responsibilities of the Management Committee and Auditors

The Management Committee's responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Management Committee's Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Industrial and Provident Societies Acts 1965 to 2002, the Housing (Scotland) Act 2001 and the Registered Social landlords Accounting Requirements (Scotland) Order 2007. We also report to you if, in our opinion, the Management Committee's Report is not consistent with the financial statements, if the Co-operative has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions with the Co-operative is not disclosed.

We read the Management Committee's Report and consider the implications for our report if we become aware of any apparent misstatements within it.

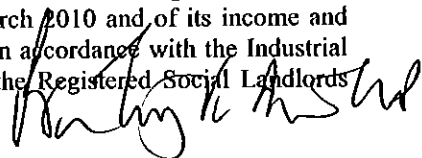
Basis of Opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Management Committee in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Co-operative's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Co-operative's affairs as at 31 March 2010 and of its income and expenditure and cash flow for the year then ended and have been properly prepared in accordance with the Industrial and Provident Societies Acts 1965 to 2002, the Housing (Scotland) Act 2001 and the Registered Social Landlords Accounting Requirements (Scotland) Order 2007.


Baker Tilly UK Audit LLP
Registered Auditors
Chartered Accountants
Breckenridge House
274 Sauchiehall Street
Glasgow, G2 3EH

Date: 26/4/10

WEST WHITLAWBURN HOUSING CO-OPERATIVE LIMITED
INCOME AND EXPENDITURE ACCOUNT
YEAR ENDED 31 MARCH 2010

	Notes	2010 £	2009 £
Turnover	2	2,387,212	1,911,059
Operating Costs	2	<u>(2,506,790)</u>	<u>(1,960,588)</u>
Operating (deficit)		(119,578)	(49,529)
Interest receivable		8,212	54,196
Interest payable		<u>(102,315)</u>	<u>(4)</u>
(Deficit) / surplus on ordinary activities before tax		(213,681)	4,663
Corporation tax on surplus on ordinary activities	4	<u>-</u>	<u>5,135</u>
(Deficit) / surplus for year		<u><u>(213,681)</u></u>	<u><u>9,798</u></u>

There are no recognised gains and losses in 2009 and 2010 other than the surplus for the year.

None of the Co-operative's activities were acquired or discontinued during the above two financial years.

WEST WHITLAWBURN HOUSING CO-OPERATIVE LIMITED

BALANCE SHEET

AS AT 31 MARCH 2010

	Notes	£	2010 £	2009 £
Tangible Fixed Assets				
Housing properties				
- Gross cost less depreciation	5		49,927,361	41,867,532
Less: Housing Association Grant	5		(46,303,098)	(38,271,119)
			3,624,263	3,596,413
Other Fixed Assets	5		105,345	75,204
			<u>3,729,608</u>	<u>3,671,617</u>
Current Assets				
Debtors	6	348,769		1,241,224
Cash at bank and in hand		1,318,853		1,444,091
		1,667,622		2,685,315
Creditors: Amounts falling due within one year	7	(596,689)		(1,434,655)
Net Current Assets			<u>1,070,933</u>	<u>1,250,660</u>
Total assets less current liabilities			4,800,541	4,922,277
Creditors: Amounts falling due after more than one year	8		(3,117,495)	(3,025,652)
			<u>1,683,046</u>	<u>1,896,625</u>
Capital and reserves				
Share capital	12		673	571
Revenue reserve	13		334,488	548,169
Designated reserves	14		1,347,885	1,347,885
Total Funds			<u>1,683,046</u>	<u>1,896,625</u>

The financial statements were approved and authorised for issue by the Management Committee on 24th August 10 and signed on its behalf by: -

Secretary Cheryl Burnett
 Member Pauline Anderson
 Member Margaret Allan

WEST WHITLAWBURN HOUSING CO-OPERATIVE LIMITED

CASH FLOW STATEMENT

YEAR ENDED 31 MARCH 2010

	Notes	£	2010 £	2009 £
Net cash inflow / (outflow) from operating activities	15	58,381		(54,816)
Return on investments and servicing of finance				
Interest received		8,212		54,196
Interest paid		(102,315)		(4)
Net cash (outflow) / inflow from returns on & servicing of finance		(94,103)		54,192
Taxation				
Corporation Tax paid		-		(7,366)
Corporation Tax received		-		-
		-		(7,366)
Investing Activities				
Acquisition and construction of Housing properties		(8,130,523)		(10,672,231)
Purchase of other fixed assets		(57,162)		(18,629)
Social Housing Grant received		8,031,979		7,623,570
Net cash (outflow) from investing activities			(155,706)	(3,067,290)
Net cash inflow before financing			(191,428)	(3,075,280)
Financing				
Issue of Share Capital		166		81
Loans received		66,024		3,115,210
Loans repaid		-		(4)
Net cash inflow from financing			66,190	3,115,287
(Decrease) / increase in cash			(125,238)	40,007

Further details are given in note 15

WEST WHITLAWBURN HOUSING CO-OPERATIVE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2010

1. Principal accounting policies

Basis of Accounting

The principal accounting policies of the Co-operative are set below. The Co-operative is incorporated under the Industrial and Provident Societies Act 1965 and is registered by The Financial Services Authority. The accounts have been prepared under the historical cost convention, and in compliance with The Registered Social Landlords Accounting Requirements (Scotland) Order 2007 and The Statement of Recommended Practice (SORP), "Accounting by Registered Social Landlords" and applicable accounting standards.

Housing Association Grants

Housing Association Grants are utilised to reduce the amount of mortgage loans in respect of an approved scheme to the amount which it is estimated can be serviced by the net annual income of the scheme. The amount of HAG is calculated on the qualifying cost of the scheme.

HAG is repayable under certain circumstances, primarily following the sale of property, but will normally be restricted to net proceeds of sale.

Acquisition and Development Allowances are advanced as mortgage loans. They are intended to finance certain internal administration costs relating to the acquisition of schemes. Development allowances become available in instalments according to the progress of work on the scheme.

Finance

The financial statements have been prepared on the basis that capital expenditure will be grant aided, funded by loans, met out of reserves or from proceeds of sales.

Mortgages

Mortgage loans are advanced by private lenders under the terms of the individual mortgage deeds in respect of each property or housing scheme. Advances are available only in respect of those developments which have been given approval for HAG.

Fixed assets - Housing land and buildings

Housing land and buildings are stated at cost. The development cost of housing properties funded with HAG includes the following:-

- (i) Cost of acquiring land and buildings.
- (ii) Development expenditure.
- (iii) Interest charged on the loans during the development year of the scheme to the date of completion.

Improvements

Improvements are capitalised where these result in an enhancement of the economic benefits of the property. Such enhancement can occur if the improvements result in:-

- an increase in rental income, or
- a material reduction in future maintenance costs, or
- a significant extension to the life of the property.

Works to existing properties, which fail to meet the above criteria, are charged to the income and expenditure account.

WEST WHITLAWBURN HOUSING CO-OPERATIVE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2010

Other fixed assets

Depreciation is charged by equal annual instalments at rates estimated to write off costs less any residual value over expected useful lives

Office Fixtures, fittings & equipment	- 25%
Office accommodation	- 4%

Housing, land and buildings - depreciation

Housing Properties are stated at cost, less social housing and other public grants and less accumulated depreciation. Depreciation is charged on a straight-line basis over the expected economic useful lives of the properties at annual rates of 2%.

Impairment of fixed assets

Reviews for impairment of housing properties are carried out on an annual basis and any impairment in an income-generating unit is recognised by a charge to the income and expenditure account. Impairment is recognised where the carrying value of an income-generating unit exceeds the higher of its net realisable value or its value in use. Value in use represents the net present value of expected future cash flows from these units.

Impairment of assets would be recognised in the income and expenditure account.

Designated reserve - reserves for major repairs (note 14)

Accrued major repair expenditure, being the Association's commitment to undertake major repairs to its properties, is set aside in a designated reserve to the extent that it is not met from HAG.

Pensions

The Co-operative participates in the centralised S.F.H.A. Defined Benefits Pension Scheme and retirement benefits to employees of the Co-operative are funded by the contributions from all participating employers and employees in the Scheme. Payments are made in accordance with periodic calculations by consulting Actuaries and are based on pension costs applicable across the various participating Associations taken as a whole.

Lease obligations

Rentals paid under operating leases are charged to the income and expenditure account as they are incurred.

Turnover

Turnover represents rental income receivable from tenants, development administration, and other income together with revenue grants from the Scottish Government, local authorities and other organisations.

Sale of housing properties

Properties are disposed of under the appropriate legislation and guidance. All costs and grants relating to the share of property sold are removed from the financial statements at the date of sale.

WEST WHITLAWBURN HOUSING CO-OPERATIVE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

**YEAR ENDED 31 MARCH 2010
(CONTINUED)**

2. Particulars of turnover, operating costs, operating surplus by class of business

	2010		2009 Operating Surplus/(deficit) £
	Turnover	Operating Costs	
	£	£	
Income from Lettings	2,188,270	(2,217,357)	23,582
Other Income and Expenditure	198,942	(289,439)	(73,111)
Total	<u>2,387,212</u>	<u>(2,506,790)</u>	<u>(49,529)</u>
2009	<u>1,911,059</u>	<u>(1,960,588)</u>	<u>(49,529)</u>

WEST WHITLAWBURN HOUSING CO-OPERATIVE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2010

(CONTINUED)

3a. Particulars of turnover, operating costs and operating surplus from social letting activities

	2010 £	2009 £
Lettings		
Rent receivable net of service charges	2,273,786	1,829,434
Service charges	-	-
Gross income from rents and service charges	<u>2,273,786</u>	<u>1,829,434</u>
Less: Rent losses from voids	<u>(85,517)</u>	<u>(55,743)</u>
Net income from rents and service charges	2,188,270	1,773,691
Grants from the Scottish Ministers	-	-
Other revenue grants	-	-
Total income from lettings	<u>2,188,270</u>	<u>1,773,691</u>
Expenditure on Letting Activities		
Service costs	79,141	107,430
Management and maintenance administration costs	1,179,739	1,132,229
Reactive maintenance	493,497	394,252
Planned and cyclical maintenance including major repairs	359,466	46,760
Property depreciation	70,694	39,002
Bad debts	34,814	30,436
Operating costs for social letting activities	<u>2,217,351</u>	<u>1,750,109</u>
Operating surplus for social letting activities	<u>(29,081)</u>	<u>23,582</u>
Operating surplus for previous period of account	<u>23,582</u>	

The amount of service charges receivable on housing accommodation not eligible for Housing Benefit was £nil (2009 - £nil).

The total amount of major repairs expenditure incurred in the year was £297,793 (2009 - £nil). No major repairs were capitalised.

All of the above relate solely to General needs housing.

WEST WHITLAWBURN HOUSING CO-OPERATIVE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2010
(CONTINUED)

3b – Particulars of turnover, operating costs and operating surplus or deficit from other activities

	Grants from Scottish Ministers £	Other revenue grants £	Supporting people income £	Other income £	Total Turnover £	Operating costs – bad debts £	Other operating costs £	Operating surplus or deficit £	2009 £
Wider action/wider role	111,595	-	-	-	111,595	-	(111,595)	-	-
Care and repair	-	-	-	-	-	-	-	-	-
Factoring	-	-	-	-	-	-	-	-	-
Development activities	70,154	-	-	-	70,154	-	(94,504)	(24,350)	(21,113)
Support activities	-	-	-	-	-	-	-	-	-
Care activities	-	-	-	-	-	-	-	-	-
Agency/management services for registered social landlords	-	-	-	-	-	-	-	-	-
Other agency/management services	-	-	-	-	-	-	-	-	-
Developments and improvements for sale, (including first tranche shared ownership sales) to non registered social landlords	-	-	-	-	-	-	-	-	-
Other activities	-	-	-	17,193	17,193	(83,340)	-	(66,147)	(51,998)
Total from other activities	181,349	-	-	17,193	198,942	(83,340)	(206,099)	(90,497)	(73,111)
2009	125,199	-	-	12,169	137,368	-	210,479	(73,111)	

WEST WHITLAWBURN HOUSING CO-OPERATIVE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2010
(CONTINUED)

4. Tax on profit on ordinary activities

West Whitlawburn Housing Co-operative Limited was granted charitable status on 30 October 2007 and as a result is not subject to corporation tax on its activities. The taxation credit in the prior year relates to an over provision in previous years.

5. Tangible fixed assets

	Housing Properties Held for Letting £	Housing Properties Under Construction	Office Premises/ Community Centre £	Furniture & Equip £	Total £
Cost					
As at 1 April 2009	35,173,713	6,830,552	163,506	251,319	42,419,090
Additions	4,596,216	3,534,307	-	57,158	8,187,681
Transfer	10,364,859	(10,364,859)	-	-	-
As at 31 March 2010	50,134,788	-	163,506	308,477	50,606,771
Social Housing Grant					
As at 1 April 2009	33,076,842	5,194,277	-	-	38,271,119
Additions	5,336,049	2,695,930	-	-	8,031,979
Transfer	7,890,207	(7,890,207)	-	-	-
As at 31 March 2010	46,303,098	-	-	-	46,303,098
Depreciation					
As at 1 April 2009	136,733	-	104,422	235,199	476,354
Charge for year	70,694	-	6,540	20,477	97,711
As at 31 March 2010	207,927	-	110,962	255,676	574,065
Net book value					
31 March 2010	3,624,263	-	52,544	52,801	3,729,608
31 March 2009	1,960,138	1,636,275	59,084	16,120	3,671,617

Included in housing land and buildings additions is capitalised development administration expenditure of £30,921 (2009 £46,835)

None of the Co-operative's land or letting properties is held under a lease.

WEST WHITLAWBURN HOUSING CO-OPERATIVE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2010

(CONTINUED)

6. Debtors	2010	2009 Restated
	£	£
Rent arrears	172,626	142,213
Less: bad debt provision	(50,000)	(50,000)
	<u>122,626</u>	<u>92,213</u>
Housing Benefit receivable	105,473	9,734
Other Debtors and Prepayments	120,670	1,139,277
	<u>348,769</u>	<u>1,241,224</u>

Included within other debtors is a balance of £nil (2009 £nil) which is regarded as due after one year.

7. Creditors: Amounts falling due within one year	2010	2009 Restated
	£	£
Loans	63,788	89,607
Rents in Advance	115,771	105,429
Trade Creditors	146,317	1,002,524
Other tax and social security	19,650	21,020
Other creditors	251,163	216,075
	<u>596,689</u>	<u>1,434,655</u>

8 Creditors: Due after more than one year	2010	2009
	£	£
Loans due between one and two years	67,386	155,748
Loans due between two and five years	225,834	487,574
Loans due in five years or more	2,824,275	2,382,330
	<u>3,117,495</u>	<u>3,025,652</u>

Loans secured by specific charges on the Co-operative's properties and are repayable at varying rate of interest in instalments as shown above.

WEST WHITLAWBURN HOUSING CO-OPERATIVE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2010
(CONTINUED)

	2010 £	2009 £
9. Employees		
Staff costs during year		
Wages and salaries	895,558	872,913
Social security costs	75,842	72,632
Pension costs	74,441	76,249
	<u>1,045,841</u>	<u>1,021,794</u>

The average full time equivalent number of persons employed by the Co-operative during the year were as follows:

	No	No
Office	18	19
Concierge	13	14
	<u>31</u>	<u>33</u>

The Directors are defined as the members of the Management Committee, the Director and any other person reporting directly to the Directors or the Management Committee whose total emoluments exceed £60,000 per year. No Director had emoluments exceeding £60,000 per year.

	£	£
Emoluments payable to Chief Executive (excluding pension contributions)	<u>54,102</u>	<u>52,748</u>

The Co-operative's contributions for the Chief Executive in the year amounted to £8,147 (2009 - £8,007).

No member of the Committee of Management received any emoluments in respect of their services to the Co-operative.

10. Auditors' Remuneration		
The remuneration of the auditors (including expenses and including VAT for the year)	10,024	6,777
Remuneration of the auditors in respect of services other than those as auditors	-	-
	<u>10,024</u>	<u>6,777</u>

WEST WHITLAWBURN HOUSING CO-OPERATIVE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2010
(CONTINUED)

	2010 £	2009 £
11. Reconciliation of shareholders' funds		
Opening shareholders' funds	1,896,625	1,886,819
(Deficit)/Surplus for the year	(115,237)	9,798
Increase in share capital	102	8
Closing shareholders' funds	<u>1,781,490</u>	<u>1,896,625</u>
12. Share capital	2010 £	2009 £
Shares of £1 each fully paid and issued		
Allotted, issued and fully paid at 1 st April 2009	571	563
Issued during the year	166	81
Forfeited during the year	(64)	(73)
At 31 st March 2010	<u>673</u>	<u>571</u>
Each member of the Co-operative holds one share of £1 in the Co-operative. These shares carry no rights to dividends or distributions on a winding up. Each member has a right to vote at members' meetings.		
13. Revenue reserve	2010 £	2009 £
At 1 April 2009	548,169	538,371
Transfer from designated reserves	-	-
Surplus for the year	(213,681)	9,798
At 31 March 2010	<u>334,488</u>	<u>548,169</u>
14. Designated reserves		
Major Repairs Reserve		
Balance at 1 April 2009	1,347,885	1,347,885
Transferred in year	-	-
Balance at 31 March 2010	<u>1,347,885</u>	<u>1,347,885</u>

WEST WHITLAWBURN HOUSING CO-OPERATIVE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2010

(CONTINUED)

15. Cash flow statement	2010 £	2009 £
Reconciliation of operating surplus to net cash		
Inflow from operating activities		
Operating (deficit)	(119,578)	(49,529)
Depreciation charges	97,711	62,413
Decrease/(increase) in debtors	892,455	(1,029,081)
(Decrease)/increase in creditors	(812,143)	961,454
Shares cancelled	(64)	(73)
	<u>58,381</u>	<u>(54,816)</u>
Net cash inflow / (outflow) from operating activities		
	<u>58,381</u>	<u>(54,816)</u>
Reconciliation of net cash flow to movements in net debt		
Increase in cash for the year	(125,238)	40,007
Decrease in bank overdraft	-	-
Loans received	(66,024)	(3,115,210)
Loan repayments	-	4
	<u>(161,262)</u>	<u>(3,075,199)</u>
Change in net cash		
	<u>(161,262)</u>	<u>(3,075,199)</u>
Net cash as at 31 March 2009	<u>-</u>	<u>1,404,031</u>
Net cash as at 31 March 2010	<u>(1,862,430)</u>	<u>(1,671,168)</u>

Analysis of Changes in net debt

	As at 31 March 2009 £	Cash Flow £	Other Changes £	As at 31 March 2010 £
Cash at bank and in hand	1,444,091	(125,238)	-	1,318,853
Overdraft	(89,607)	-	-	-
Debt due within one year	(8)	(66,024)	25,819	(63,788)
Debt due after one year	(3,115,251)	(91,842)	(25,819)	(3,117,494)
	<u>(1,671,168)</u>	<u>(195,262)</u>	<u>-</u>	<u>(1,862,429)</u>

WEST WHITLAWBURN HOUSING CO-OPERATIVE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2010

(CONTINUED)

16. Pension Fund

SFHA Pension Scheme

West Whitlawburn Housing Co-operative Limited participates in the SFHA Pension Scheme ('the Scheme'). The Scheme is funded and is contracted-out of the State Pension scheme.

It is not possible in the normal course of events to identify the share of underlying assets and liabilities belonging to an individual participating employer as the Scheme is a multi-employer arrangement where the assets are co-mingled for investment purposes, benefits are paid from the total Scheme assets, and the contribution rate for all employers is set by reference to the overall financial position of the Scheme rather than by reference to individual employer experience. Accordingly, due to the nature of the Scheme, the accounting charge for the period under FRS17 represents the employer contribution payable.

The Trustee commissions an actuarial valuation of the Scheme every three years. The main purpose of the valuation is to determine the financial position of the Scheme in order to determine the level of future contributions required, so that the Scheme can meet its pension obligations as they fall due.

The last formal valuation of the Scheme was performed as at 30 September 2006 by a professionally qualified Actuary using the Projected Unit Credit method. The market value of the Scheme's assets at the valuation date was £268 million. The valuation revealed a shortfall of assets compared with the value of liabilities of £54 million, equivalent to a past service funding level of 83.4%.

The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 30 September 2008. Such a report is required by legislation for years in which a full actuarial valuation is not carried out. The funding update revealed a decrease in the assets of the Scheme to £265 million and indicated an increase in the shortfall of assets compared to liabilities to approximately £149 million, equivalent to a past service funding level of 63.9%.

The current triennial formal valuation of the Scheme, as at 30 September 2009, is being undertaken by a professionally qualified Actuary. The results of the valuation will be available in the Autumn 2010.

Following a change in legislation in September 2005 there is a potential debt on the employer that could be levied by the Trustee of the Scheme. The debt is due in the event of the employer ceasing to participate in the Scheme or the Scheme winding up.

The debt for the Scheme as a whole is calculated by comparing the liabilities for the Scheme (calculated on a buy-out basis i.e. the cost of securing benefits by purchasing annuity policies from an insurer, plus an allowance for expenses) with the assets of the Scheme. If the liabilities exceed assets there is a buy-out debt.

The leaving employer's share of the buy-out debt is the proportion of the Scheme's liability attributable to employment with the leaving employer compared to the total amount of the Scheme's liabilities (relating to employment with all the employers). The leaving employer's debt therefore includes a share of any 'orphan' liabilities in respect of previously participating employers. The amount of the debt therefore depends on many factors including total Scheme liabilities, Scheme investment performance, the liabilities in respect of current and former employees of the employer, financial conditions at the time of the cessation event and the insurance buy-out market. The amounts of debt can therefore be volatile over time.

WEST WHITLAWBURN HOUSING CO-OPERATIVE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2010
(CONTINUED)

West Whitlawburn Housing Co-operative has been notified by The Pensions Trust of the estimated employer debt on withdrawal from the SFHA Scheme based on the financial position of the Scheme as at 30 September 2009. As of this date the estimated employer debt for West Whitlawburn Housing Co-operative was £4,067,303.

The SFHA Scheme is a multi-employer defined benefit scheme. The Scheme offers three benefit structures to employers, namely:

- Final Salary with a 1/60th accrual rate.
- Career average revalued earnings with a 1/60th accrual rate.
- Career average revalued earnings with a 1/70th accrual rate.

An employer can elect to operate different benefit structures for their active members (as at the first day of April in any given year) and their new entrants. An employer can only operate one open benefit structure at any given time. An open benefit structure is one which new entrants are able to join.

West Whitlawburn Housing Co-operative has elected to continue to operate the final salary with a 1/60th accrual rate benefit structure for active members as at 1 April 2009 and the same benefit structure for any new entrants.

During the accounting period West Whitlawburn Housing Co-operative paid contributions at the rate of 15.4% of pensionable salaries. Member contributions were 7.7%.

As at the balance sheet date there were 21 active members of the Scheme employed by West Whitlawburn Housing Co-operative. West Whitlawburn Housing Co-operative continues to offer membership of the Scheme to its employees.

The key valuation assumptions used to determine the assets and liabilities of the SFHA Pension Scheme are:

2006 Valuation Assumptions	% p.a.
Investment return pre retirement	7.2
Investment return post retirement	4.9
Rate of salary increases	4.6
Rate of pension increases	
- pension accrued pre 6 April 2005	2.6
- pension accrued from 6 April 2005	2.2
(for leavers before 1 October 1993 pension increases are 5.0%)	
Rate of price inflation	2.6

WEST WHITLAWBURN HOUSING CO-OPERATIVE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

**YEAR ENDED 31 MARCH 2010
(CONTINUED)**

Mortality Tables	
Non-pensioners	PA92C2025 short
Pensioners	PA92C2013 short

Contribution Rates for Future Service	%
Final Salary 1/60ths	17.8
Career average revalued earnings 1/60ths	14.6
Career average revalued earnings 1/70ths	12.6
Additional rate for deficit contributions	5.3

17. Capital commitments

	2010	2009
	£	£
Expenditure authorised by the Management Committee contracted less certified	<u>-</u>	<u>4,406,127</u>

18. Housing Stock

The number of units in Management at 31 March was as follows:-

	2010	2009
	No	No
General Needs	619	569
Supported	-	-
Shared Ownership	-	-
	<u>619</u>	<u>569</u>

19. Related Parties

All members of the Management Committee are tenants of the Co-operative. The transactions with the Co-operative are all done on standard terms, as applicable to all tenants.

WEST WHITLAWBURN HOUSING CO-OPERATIVE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2010

(Continued)

20. Leasing Commitments

At 31st March 2010 the Co-operative had the following annual operating lease agreements for the year ending 31 March 2010 and beyond.

	2010 Equipment £	2009 Equipment £
Operating leases which expire:		
Within one year	-	-
Within two to five years	94,423	2,923
After more than five years	-	91,500
	<u>94,423</u>	<u>94,423</u>

21. Contingent liability

Other

In the year to 31st March 2005 the Co-operative was informed by Communities Scotland that allowances in the prior year of £200,000 had been overpaid.

The Co-operative does not accept the validity of the claim and will contest any action for repayment.

Negotiations are still ongoing and the outcome cannot yet be determined.

Pensions

West Whitlawburn Housing Co-operative Limited has been notified by the Pensions Trust of the estimated employer debt on withdrawal from the scheme based on the financial position of the Scheme as at 30 September 2009. As of this date, the estimated employer debt for West Whitlawburn Housing Co-operative Limited was £4,067,303. West Whitlawburn Housing Co-operative Limited has no current plans to withdraw from the Scheme.

West Whitlawburn Housing Co-operative Limited has been notified by the Pensions Trust of the estimated employer debt on withdrawal from the Growth Plan Scheme based on the financial position of the Scheme as at 30 September 2009. As of this date the estimated employer debt for West Whitlawburn Housing Co-operative Limited was £4,411.